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MEMORANDUM TO: Acting Deputy Director (Administration)

FROM : Comptroller

SUBJECT : Individual Income Tax Returns

- REFERENCES :**
- (a) CIA Regulation [REDACTED] para. X 25X1A
 - (b) CIA Notice [REDACTED] dated 15 January 1953 25X1A
 - (c) Memorandum from Acting General Counsel to Comptroller dated 25 February 1953; Subject: Individual Income Tax Returns
 - (d) Memorandum from Comptroller to Chief, Fiscal Division dated 6 March 1953; Same Subject
 - (e) Memorandum from Chief, Fiscal Division, to Comptroller, dated 17 March 1953; Same Subject
 - (f) Memorandum from Deputy Chief, Finance Division, to Comptroller dated 13 April 1953; Same Subject

1. PROBLEM

- a. To advise employees of the manner in which their employer (CIA) shall be identified on their Federal and State income tax returns.
- b. To advise separated employees and employees who transfer between vouchered and unvouchered funds, of the period covered by the Form W-2, Withholding Statement, which is delivered to them at the time of their separation or transfer.
- c. To explain to employees the reasons why the salary payments to them during the year, as reflected on the Forms W-2, do not necessarily represent the salary earned by them during the year.

2. FACTS BEARING ON THE PROBLEM

- a. Reference (b) was not released early enough to reach all employees before they filed their income tax returns and as a result some employees did not identify their employer (CIA) as instructed in

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reference (a).

b. Some employees apparently have difficulty reconciling the amount shown on their Form W-2 as salary paid to them with the amount which, in their opinion, should have been paid to them.

3. DISCUSSION

a. Although reference (a) contains instructions to employees with respect to indicating the name of their employer on their income tax returns, it apparently is necessary to refresh their memories in this respect at the end of each calendar year. Also, apparently the issuance of a CIA Notice to all employees (similar to reference /b/) is not satisfactory, as the Notice may or may not be issued early enough or, if issued early enough, may not, for one reason or another, reach ALL EMPLOYEES before they file their income tax returns. It appears that the most practical solution would be to deliver with each Form W-2 a form similar to Attachment A which would remind



25X1C

b. With respect to the suggestions in reference (d) that the "Employee's Copy" of the Form W-2 delivered to separated employees and to employees transferring from the overt to the covert payrolls, be stamped to indicate the period covered by the Form W-2, it is believed the suggestion is not practical. It would require a search of the payroll files to determine whether the employee was on duty at the beginning of the calendar year or whether he entered on duty after the beginning of the calendar year; in addition, Forms W-2 issued at the end of the year to employees who entered on duty during the year and remained on duty through the end of the year would not be so stamped. Further, it is not customary, either in the Government service or in the commercial field, to place such information on Forms W-2 issued to employees. It is believed that each separated and transferred employee can quite easily remember that he received a Form W-2 during the year and by the amount thereof can quite easily remember from whom it was received and the approximate period covered by it.

c. Reference (d) also suggests that a form containing the language of, or similar to, Attachment C, thereof, be furnished to employees at the time the Forms W-2 are distributed. One purpose of the form is to point out to employees the several reasons why the salaries paid to them (as reflected on the Forms W-2) do not necessarily represent the salaries earned by them during the year. There are several reasons why such an explanation in detail is not considered necessary or desirable, e.g.,

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- (1) Most individuals file their income tax returns on a cash basis, and when returns are filed on a cash basis the salary received within a calendar year is for tax purposes the salary earned within the calendar year.
- (2) The suggested explanation contains a great deal of detail which likely would be confusing to non-finance people.
- (3) A single, simple explanation could not be given to all employees because some are paid on a bi-weekly basis and some are paid on a 4-weekly basis. If two such explanations were used, some employees--those who transfer between vouchered and unvouchered funds--would receive a copy of each form which likely would lead to confusion.
- (4) Although each payroll office receives at the end of each year a few requests for explanations of the salaries paid, the number of such requests is not considered abnormal.

4. ACTION RECOMMENDED

- a. That a form the size of a Form W-2 and containing the language of Attachment A be distributed with the Form W-2 to each employee.
- b. That the "Employee's Copy" of Form W-2 not be stamped to indicate the period covered by the income shown thereon.
- c. That the form (Attachment A) distributed with each Form W-2 to each employee contain a general explanation of the difference between the salary paid to and the salary earned by employees.

E. R. SAUNDERS

Concurrences:

151 Clifford Edwards
Security Office

SEP 30 1953
151 Lawrence K. Saunders
Office of General Counsel

APPROVED:

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Approved with the understanding that, for security purposes, attachment A be a larger size and a different color.

151 L. K. White

Acting Deputy Director (Administration)

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Remarks: I have concurred, but we in the Office feel it might be better to have the separate explanation sheet (Attachment A) a different size than the Form W-2 to avoid accidental filing instead of the Form W-2, or it might be a different color or both. This is a suggestion and is not meant to be taken as an objection to the action recommended.

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